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Industrial Councils in Germany

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THE social revolution which began in November, 1918, at the end of the World War, was first carried on by the soldiers' and workers' councils. These trusted men of the working population had almost superhuman tasks to perform. The complete military and economic breakdown, which had been left by the old forces, made it impossible for the soldiers' and workers' councils in the earliest days to be able to apply themselves to the reconstruction of the economic life. They were completely occupied in carrying on the work of liquidation. They were forced to organize the demobilization of all the troops in a speedy manner, and to find means of leading the country out of an economic condition, which was exclusively adapted for war needs, into an economic condition of peace.

Considering these difficulties, and remembering the fact that the workers in the old Germany had been excluded from any coöperation in the affairs of the state, these soldiers' and workers' councils accomplished great things. They were, however, not entirely homogeneous in this one respect, that the soldiers' councils desired only peace and the elimination of militarism,—without, however, having any particular political philosophy,—whereas among the workers' councils, which had passed through the training of workers' organizations even before the war, it was a question of socialists with a definite purpose. The soldiers' councils disappeared gradually with the demobilization of the army, and the workers' councils, which had made a complete

socialization of production the chief object of their activity, alone remained. The workers' councils had been organized from the individual industries and had their chief support in the metal industry. The executive council was formed from the workers' councils of any given locality.

The workmen's committees, which had been elected in the factories during the war in conformity with the War Service Law, were relieved a short time after the outbreak of the revolution by the industrial councils, which were to decide all questions pertaining to the work in coöperation with the managers. The entire organization in the main was analogous to the similar bodies which had arisen in the Russian Revolution. The power of the workers' councils, however, was broken a few months later by the government. In this discussion we shall not proceed further into the political development of that time, the reactions of which were felt in the economic relationships of power.

Externally considered, the first elections to the National Assembly form a turning point. The Government and the National Assembly now denied any further recognition to the councils; their executive councils were limited more and more by the decisions of the regular boards, until finally any legal activity was entirely denied them. In their place, according to the will of the Government, workers' and employes' committees, which had been provided for by a law passed on December 23, 1918, were to be organized.

These committees were somewhat similar to the provisions of the former War Service Law, even though their powers were slightly more extensive and their introduction had universally taken place in every type of management and control. These workers' and employes' committees were, fundamentally, simply representatives of the workers in their relations with the employer, for the protection of the workers' social rights. The industrial councils, on the other hand, had had an influence on the supervision of production.

These legal workers' and employes' committees were not considered sufficient by the various parties interested. The workers looked upon them rather as a curtailment of their former rights, and in 1919 they carried on great struggles for the creation of industrial councils, which would make it possible for the managing groups to become coöperators in production. These industrial councils were especially to operate as controlling organs of the industrial owners.

Not only the manual workers, but above all, the intellectual workers took part in these struggles. In the spring of 1919, the right of coöperative determination in the social and economic field was demanded in the great strike of the mercantile and technical employes of the Berlin Metal Industry and of the employes in the banks. Besides these, we might especially mention the miners, who carried on tremendous struggles for the creation of legally recognized industrial councils. The Government had to yield to this pressure, and promise a substitution of the industrial councils for the previous workers' and employes' committees.

The National Assembly busied itself in the fall and winter of 1919-1920 with the creation of a law which was finally passed on January 13, 1920, in

spite of the most vigorous protest of the organized workers. The Government believed that it had made good its promise after it had passed an industrial councils law. But since the balances of power had completely shifted again in the following months, the wishes of the employers were fulfilled in this law to an extent which had provoked the greatest bitterness among the workers. They held great demonstrations in front of the Reichstag Building; sanguine conflicts with the police occurred and the law was debated to a conclusion only after the so-called "exceptional situation" (*Ausnahmezustand*) had been proclaimed in Berlin, with the suppression of public meetings and of the press.

The Industrial Councils Law therefore came into being in its present form against the will of the majority of all organized workers. It is a compromise product of the coalition parties of that time. The principle of the right of co-management was almost entirely surrendered by this compromise. The powers of the industrial councils contained in it are far inferior to the regulation which had been previously agreed upon in the voluntary agreements of the employers with their workmen and employes.

The compromising character of the law had this particular result, that from a technically legal standpoint it was interpreted inaccurately and ambiguously. If one studies the commentaries of the industrial councils law which are being written by jurists and representatives of the employers and of the workers in these days, they are found to lack any uniformity. The elastic interpretations of the law in recent times, whenever it is put to practical use, betray this absence of uniformity even more than the commentaries.

Because of the facts which have been

mentioned here, it is quite impossible to render a conclusive judgment concerning the effectiveness of the new industrial councils. The law went into effect at the end of February, 1920. The elections for the industrial councils took place in March and April, hence these industrial representatives have already been in existence four or five months. This period of time has been taken up to a large extent in the conflicts over the interpretation of the law. However, these experiences would furnish no basis for viewing the entire question pessimistically, because a certain transition period must of necessity be passed through before a complete coöperation without friction can take place between employers and their industrial councils, largely because the industrial managements were so completely absolutistic in the great German industries before the war.

The law provides that the industrial councils shall represent the general economic interests of all the workers of an industry as against the employer, and the duties of the council are designated in detail. The council is supposed to take action in all disagreements concerning work and wages, and if an agreement cannot be reached to appeal to the adjustment committee. Moreover, the supervision of tariff agreements, of awards by arbitration and of all other agreements between the industrial management and the personnel devolve upon it. The industrial council is expected to begin functioning by agreeing on general working regulations. The law, furthermore, imposes upon the council the duty of preserving and fostering a good understanding among the workers of an industry. It is supposed to guarantee the preservation of the right to combine.

In addition to the industrial council there are also separate workmens' and

employes' councils for the workmen and employes, which are concerned with the peculiar professional questions of the two groups. These are to some extent connected with the general industrial council through a personal unity. The industrial council operates as a court of appeals for the subordinate committees. According to this law, coöperation with the industrial council must take place in the execution of all regulations for the prevention of accidents, and in the control of pension funds, housing conditions, and other welfare arrangements of the individual industries.

These duties certainly include important fields of working relationships. The difficulties encountered in their practice arise because nothing is said in the law about any decisive coöperation, and equal rights in making decisions are not always unassailably guaranteed.

The same weakness of the law which constantly provokes disagreements on matters of jurisdiction can also be noted in the subordinate representative bodies, the workmen's and employes' councils. These latter have the particular important functions of coöperation in suspension of work, in dismissals and in transferring of the employes and workmen. The workers laid the greatest stress on their co-managing right especially in these questions, because they wanted to eliminate arbitrary acts in the formation of the personnel. All protection was to be removed according to the desire of the working groups, not only because of one-sided workmen's interests, but also in the interest of a clearly understood general economy, and for the increase of production. The most efficient alone are supposed to enjoy the possibilities of employment. Shut-downs shall not take place, if sufficient forces are present in the industry who

would be available for vacant positions. The workers also wanted the right of investigation assured to them in all cases of notice of dismissal. This right seemed to them, because of the difficult circumstances in the German labor market, to be especially necessary. Unsocialized employers would not be allowed to adopt any arbitrary disciplinary punishment of undesirable workers, if the desires of the workers had been realized in this law.

In these most important questions the law brought no satisfaction to the desires of the workers. The co-managing right in the case of shut-downs was granted only to the extent that the workers' or employees' council can agree upon the lines of procedure with the industrial managers, and that in case of non-observance of these, the possibility of appeal to the committee of adjustment is granted. In the case of the dismissal of the individual worker, there is no coöperation by the workers. The co-managing right in notice of dismissal is therefore insufficient, because no appeal to the workers' council or employees' council can take place *before* the dismissal. Only *after* the dismissal has taken place with legal sanction, is an appeal provided for, and this appeal is limited to certain types of dismissals. The so-called immediate dismissals are not included in these regulations unless the dismissed individual is himself a member of the industrial workers' or employees' council. This fallacy of the law is one of the chief reasons for the passionate criticism and opposition which is directed against it by the workers even in these days. The first supplementary law will have to provide for new regulations of coöperation in shut-downs and dismissals.

The law should have served particularly in facilitating and in supporting the economic reconstruction of Ger-

man economic life, because the industrial councils have an influence upon the actual control of production in addition to their purely social functions. The conditions, however, for an increase in German production are unfavorable. The lack of raw materials, difficulties due to the exchange-rates and other heavy burdens resulting from the Treaty of Peace rest heavily on the German productive and economic life. In the wake of the unhappy war only one effective factor was left to the German people with which to carry out the reconstruction; *i.e.*, their working strength. This can be stimulated to its highest productive ability only if the workers and employees, after all the bitter experiences before, during, and after the war, are recognized in the economic life as citizens with equal rights.

In industry, in the production of commodities, and in the distribution of manufactures the workers desire to remain no longer simply retailers of their working power, but to assume an independent share in production. Hence the right of co-management in the conduct of business is economically of the greatest importance. Increased production is of such decisive importance in the economic reconstruction, that it can no longer remain exclusively the private business of an individual industrial magnate, but must be carried on according to universal economic viewpoints.

At a time in which the entire life of the people depends upon the greatest possible production in order that there may be exports again and consequently also the importation of raw material as well as food,—at such a time production becomes the vital business of all the people. This thought was determinative when the workmen and employees demanded the control of the management of the

business. This demand became all the more violent since many industries without sufficient reason and simply out of consideration for private gain and the most propitious opportunity had closed down or limited their industrial activity. If legislation in its creation of the Industrial Councils Law had only been broad-minded in respect to coöperation in production-control, and if it had increased the participation of the industrial councils in the supervision of business affairs, in calculation, in buying and selling, then this would have contributed considerably to the increase of the working enjoyment of the German workers, and the recent setbacks in our economic life would have been avoided. The law, however, does not contain any provision according to which the actively working people of the industry are permitted to exercise any genuine influence on the control of the business. It is well worth noting that the industrial council can make recommendations to the industrial management. The latter, however, is in no wise bound to consider such recommendations. To what extent the general interest is jeopardized by the legally limited activity in production can be seen on every side in these days. The Government is therefore busily at work in preparing definite regulations, according to which, in all cases of industrial limitation of production, or shut-down of industries, an investigation must first of all take place, in which the coöperation of representatives of the workers is also provided for. If the industrial councils had the right of co-management which was demanded by the workmen's groups, then the creation of new special offices for investigation would now be unnecessary. Even industrial technique and internal industrial organization have heretofore made splendid progress in

those industries which introduced a coöperation of their industrial councils without being legally compelled to do so.

The organized workers are thoroughly conscious that a coöperation in production-control demands a skilled training along mercantile and technical lines. This economic training, however, cannot be acquired solely by academic education; it is more a question of having the workers gain an insight into the procedure of the business. The subdivision of labor is carried out so intensively in the large industries that the individual employe or workman occasionally becomes acquainted with only a very narrowly limited section of the process of production. In order to grasp the interrelations of the industry, an insight into the control of the business and into the accounting procedure, the financial balances, etc., is necessary. Even in these matters, precious little insight into the so-called industrial secrets is granted by this law to the managing councils.

The means of granting to the industrial councils a positive coöperation in the reconstruction of the economic life are not provided for in the Industrial Councils Law. A change in the present secret system, according to which the industrial councils are barred from an actual knowledge of the business and financial situation, is inevitable. The investigations concerning the recent economic crisis in Germany constantly show more clearly that, in addition to other causes, the price-fixing politics, especially in the raw materials industry, have affected the entire market injuriously, and without a decided decrease in the price of iron, steel, wood, etc., an improvement of the situation can scarcely be expected. Every regulation in this field presupposes the taking into consideration of cost-prices

so that here again the right of industrial councils is a decisive factor in the return of general economic conditions to normal.

The direct connection which has been shown to exist between the present needs of the entire people and the power of the industrial councils leads us to expect that the weaknesses of the law must be eliminated under the pressure of increasing economic difficulties. It may already be stated as a hopeful sign that the members of industrial councils are making great efforts to increase their professional and economic knowledge by attending school. The intellectual preparation, which is to make the workers capable of exercising the right of co-determination in the process of production, is taking place. The question as to whether the introduction of this right of co-determination will provoke many economic conflicts and disturbances depends upon the time it takes the Government to undertake a thorough-going revision of the law.

The creation of industrial councils has also solved new organization problems for the mass of workers. The trades-unions remain as formerly the professional representatives of the interests of the workers and employees. However, they have fully realized the necessity of recognizing the industrial council as their new confederate in the emancipation struggles of the workers, and the necessity of making possible a systematic coöperation of councils and trades-unions. According to this arrangement, the control of production is looked upon as the peculiar field of

the industrial councils while the trades-unions are making arrangements for the training of the council. The attempts to create independent organizations of industrial councils completely separated from the trades-unions have not been accompanied by success. On the contrary, one can definitely state that with the growing importance of the councils idea the power of the trades-unions increased simultaneously. The form of organization created by the trades-unions for the interrelation of the industrial councils has been subdivided in such a manner that the industrial councils are united according to the various groups of industries. In this way an intensive concentration on the problems of the various branches of industry or of the individual departments of an industry is particularly supported.

On the whole it can be stated that the industrial councils idea has taken firm root in the working population of Germany in spite of the insufficient legal application. The law will function as the starting point for the consciously planned insertion of the industrial councils into the German economic life. The delimitation of their powers and their actual work will be developed in practice. The antagonism which many employers at present still manifest toward the encroachment of the industrial councils is short-sighted. The sooner they are successful in developing the industrial councils into co-managing factors of production, the earlier will the reconstruction of German economic life be able to take place.